

**Child Support Enforcement  
Task Force  
Sub-Committee on Incentive Distribution**

**November 18, 2005**

**Sub-Committee members present:** Mike Schwindt, Wendy Jacobson, Brad Davis, Terry Traynor, Keith Berger, Jim Fleming

**Members absent:** none

**Others present:** Heidi Ahl, Ranee Kringen, Kathy Ziegelmann, Coby Barstad, Dan Jeske, Larry VanNess, Joe Belford, Paul Kramer

Schwindt began by appointing Jim Fleming to this Task Force Sub-Committee on Incentive Distribution.

Schwindt said close to a dozen different incentive distribution formulae have been received. He handed out a document entitled "Incentive Distribution Plan" which provides information for the framework of the distribution of incentives. He said that it is hoped that there will be a consensus by the end of this meeting regarding incentive distribution.

Schwindt said that he is interested more in outcomes, than in the manner it is done. For example, there doesn't have to be targets. The idea is to make it work rather than walking a particular path.

Schwindt said, however, that the administrative rulemaking needs to get underway.

Schwindt said that, failing to come to another decision, the default plan would be to base the administrative rule on the "Incentive Distribution Plan." He said he believes it is consistent with what SB 2301 provides.

Schwindt asked Davis to review the formula that he had most recently provided.

Davis said he has sent in many over time. He noted that the Bismarck regional office has been helpful in doing some of that work. He said the most recent effort was to do something to include consideration of the cost/benefit measure. He stated that it is pretty much impossible to include the cost/benefit measure unless one comes up with a way to convert it from a dollar amount to a percentage, as that is how all other measures are expressed. At one point, there were attempts to have it included, but because of the problems with doing so, it was taken out. However, the Task Force at its last meeting had expressed interest in having it included, along with a size component.

Spreadsheets relating to the formula were reviewed.

Davis began by asking the group to look beyond the numbers and to think about the process.

Davis reminded the group that the 80% is distributed under the federal performance measure method. It is the remaining 20%, the "improvement part," that is being discussed.

Davis said that because the cost/benefit measure was being considered, all of the measures are looked at individually, instead of as a whole. He also tried to tie in a size component. A size component as is done in this proposed formula is consistent with the way the federal government does it when they are determining how incentives are split among the states.

Davis said that for each performance measure, the performance increase in a region would be multiplied by that region's collections. This gives a "base." Multiplying by collections is what provides for the size component. The base is then used for the "percentage of incentives" per region which then is used to determine each region's total incentives. He then reviewed what the results would be per region.

Davis said the arrears and cost/benefit measures are weighted differently than the other three.

Davis said this formula is similar to the formula previously presented by Schwindt as far as considering different performance targets based on size, but does it in a different way.

Fleming asked if Davis had considered including the size component by looking at caseload rather than collections. Davis said it could be done by caseload instead but doing it based on collections was consistent with the federal way. Fleming said that he saw a problem with using collections rather than caseload because, for example, some regions experience lower wages, which result in lower orders, which result in lower collections. Davis said he is not opposed to looking at caseload rather than collections. Just seems to be inconsistent with the federal way. Davis wondered if it made sense that a different size component is used by the federal government than is used by the state. He thinks it would probably be okay because of the philosophical difference in looking at "performance" (federal) vs. "improvement (state).

Davis said there was also a need to look at what to do with "LJ" cases. Fleming said that that is why it is good that we can do a state formula; we can look into issues more deeply. Fleming said he feels that looking at the size component based on caseload is the better way to do it.

In response to a question from Berger, Davis said that regions who are doing very well may not be able to get much out of the 20% "improvement" part of the incentives, but should be doing well on 80% "performance" part.

Fleming asked some questions relating to the fact that this proposed formula does not use improvement targets. In response, Davis said that he and others did do some looking at what can be done with targets and explained why he thought there were some concerns with doing that. Davis said he has trouble getting past the fact that a larger region would have to improve more than a smaller region. Fleming said he doesn't believe that would be true. Under the formula that was presented with improvement targets, it was set up so that the larger regions would get full incentives at the target of eight, and then got more if met target up to 12. After some discussion, it was verified that that indeed is how it had been set up. Therefore, Fleming said, all regions have an equal chance to earn at the target of eight, and then the larger regions have a chance at additional incentives.

Schwindt mentioned that the formula presented by Davis would separate out each of the measures and explained that there were also benefits to combining them.

Schwindt asked the group to go back to the handout. Under the method reviewed by Davis, does it promote performance? Davis said that, regardless of a region's performance, the region would get a healthy amount of incentives if the region improves. It is bigger than the proportional amount the region could get on the 80%. Traynor said that he sees how both methods do it somewhat the same. The difference seems to be that one method looks at how a region has done in relation to set targets, while the one reviewed by Davis looks at how a region has done in relation to other regions. In essence, it is relative to everyone else rather than to a set target.

Schwindt reminded the group that the feds also look at some areas, regarding penalties.

Berger asked if it wouldn't be nice if people could just get together every year and say "here are our areas of need and this is where the money needs to go in order to center the efforts in those areas of need." Schwindt responded that he would do that in a heartbeat, if there was a way to do it. Discussion about the possibility of the regional administrators sitting down with the state office to identify goals for the following year. Berger said that the counties will probably be budgeting the 80% plus maybe a little bit more, in reality, so why not use the 20% for efforts in needed areas?

Schwindt said if we could get to that point, he would like to look at what the challenge will be for the next year.

Fleming asked if the group was talking about an improvement component, but it would be per measure, rather than as a whole. Berger said yes, except that a group would consider it.

Berger and Schwindt said they believed this would be consistent with the SB 2301 language.

Schwindt said that this would involve looking at each measure's weights each year. This would be done instead of establishing separate improvement targets.

In response to a question from Davis, Schwindt confirmed again that the full 20% would go to the counties.

Traynor said that the draft rule doesn't address the phase-in and wondered if it should. Fleming replied that it does need to go in there.

There was some discussion on if the three-year phase-in would be on the 80% only or on all of the incentives. The phase-in would only apply to the 80%. Schwindt said that there would be a reasonably firm number, for budgeting purposes, on the 80%.

Berger said that if it is decided to concentrate on certain areas, are the regions going to be able to get reports periodically on how they are doing in those areas? Schwindt said he knows that needs to be done. The state office is looking at how it can be done without the significant amount of time and money that is now needed to run the reports periodically.

Also, discussed the need to look at the difference if the size component is addressed by caseload vs. collections.

Based on discussions, Schwindt asked if a rule should be drafted based on the following:

- The 80% would be distributed as was previously discussed. That is, the 80% would be distributed based on the federal performance measure method with a three-year phase-in starting with the CY 2007 regional office budgets.
- The 20% would be pooled, and there would an agreement as to how these incentives would be distributed, in order to target incentives to certain areas that need concentration. In response to a question from Davis, Schwindt confirmed that this would be done by looking at the weighting of the measures and also that it would be done collectively and collaboratively. Berger said he feels that it would need to be defined who would be involved and who would make the decisions. Schwindt said he expects it would involve the Department of Human Services (DHS) and the regional administrators working for consensus but that, ultimately, it would be DHS that would make the decision.

In response to a question, Schwindt said that, in addition to the weightings, the size component may also be looked at every year. In other words, the distribution base would be looked at each year.

Schwindt gave an example. Let's say there are three regions: Region A, Region B, and Region C. Region A performs at 70%, Region B at 80%, and Region C at 90%. This is a total of 240%. If want to get to a total score of 260% in the following year, it would need to be decided how much each region would take. It may be that Region C simply needs to stay even, and the other two regions would somehow share the 20% need for improvement.

Schwindt said he understands that this means we will need to get more information off of the OCSE-157, and get it timely.

Davis said he feels okay with looking at the weights each year. He said, however, he would be okay with just picking one size component (either caseload or collections) and then sticking with it rather than looking at it each year. Schwindt said he feels that it would be best to leave it open in the rule. Then, for example, we can go with caseload until it doesn't make sense for a particular year and can change it without a rule change. There was some discussion about how it may make more sense to do it one way if working on one area, and another way if working on different area.

Davis asked for confirmation as to what would be a constant and what would be a variable.

- The 20% would be a constant.
- Weights and size components would be variables.

There was some discussion about what year's weights would affect what year's incentives and what year's budget.

Schwindt said there is a need to figure out how the Maintenance of Effort (MOE) fits in. That's a clinker and he said he doesn't know the answer at this time. There would be another alternative and that would be to put the incentives into the improvement account, label it for counties, and use it for whatever.

Davis asked if this Sub-Committee can stick with deciding on the formula. He said he doesn't feel comfortable saying that the county money can be put into the improvement account. Schwindt said that he has to consider the MOE issue.

Traynor said that, at the last Task Force meeting, the possibility of having unearned incentives available to the counties later was discussed. Under this method, all of the incentives would go out. Schwindt added that also it is done at the start of the process rather than at the end. Schwindt said doing it this way seems to go well with "promoting."

Schwindt welcomed comments and questions from non-members.

Ahl said that her assumption is that if looking at putting efforts into a certain area, it would probably involve looking at the arrears measure. It would seem to be an obvious starting point. In response to a question from Ahl, Schwindt said that all of the incentives would be out there; the question will be how to split the incentives among the regions. Schwindt said it would need to be made clear in a memorandum of understanding that this is what this region is shooting for, and what that region is shooting for. Schwindt said that it doesn't have to be a firm number; it doesn't need to be a "stake in the ground." Jeske asked if Schwindt had an idea of a formula. Schwindt said that he didn't.

Barstad said he agreed with the philosophy of what is being discussed, but is nervous about the switch of Wells County to the Jamestown region. There is a need to reconcile the numbers. He said he doesn't agree with using the 2005 numbers unless we can resolve the issues. Schwindt agreed and said there will be other factors as well, such as centralization, that will affect it. Berger remarked that that is why it would be good to look at this every year.

Ziegelmann asked if it was anticipated that a formula and a plan would be developed at about the same time each year. She also asked what parts each region and the state office would play in the plan. Schwindt said that he hoped we would be looking at developing a formula and a plan at about the same time each year. He hoped that we come up with it together and then it would taken back to each office to decide how to do it. The OCSE-157 is not available until the end of October, so shooting for November. Also need to see about running it more frequently.

Ziegelmann wondered how it would be accomplished when, looking beyond the OCSE-157, the regional office would need something from the state office to reach their goal. Schwindt said he hadn't thought about it. He suspects the region would identify what was needed and Schwindt would look at what could be provided.

Jacobson said that the regions have been saying that one of the biggest needs to move forward is to get more information from the system. Schwindt said that the state office's budget is set, but he knows it is a priority and that is where the improvement fund may come in. Fleming commented that this will be all tied together, and so we would succeed or fail as a group.

VanNess said that, with the exception of the PEP, there is no set number. He also mentioned that there are other factors that flex and change. He sees things as workable if he can get information on a regular basis – preferably quarterly but even semi-annually would help. In addition, he said he wouldn't need all of the

numbers from the OCSE-157 and wondered if it would be cheaper if the regions would just ask for certain information.

Belford commented that he liked what has been discussed and that it sounded equitable. He also said he relies on Barstad's advice and decision.

Kringen wondered if the counties could donate the money to get what they need, for example, to the improvement fund.

Jeske said he would like to see a formula for some negotiation for 2005. Schwindt asked that Jeske work on a formula.

There was a roll call vote on whether there was consensus that there would be 80% of the incentives distributed on federal performance measure method with the three-year phase-in, and 20% of the incentives distributed with the "measure weightings" and "size component" being variables that would be discussed annually. All members voted in favor.

Schwindt said he is very pleased with the consensus reached. He said everyone has a vested interest in this. He thanked Davis for all of his work and said that his efforts have helped focus the issues and alternatives. Davis expressed appreciation for the Bismarck region's assistance.

The draft rule will be revised to be consistent with the consensus reached today.

Adjourned.